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P.O. Box 15830, Sacramento, CA 95851-1830, 1-888-742-SMUD (7683)

April 21, 2005
ET&C 05-132

Kirk C. Rodgers, Regional Director
Mid Pacific Regional Office
U.S. Bureau of Reclamation
Federal Office Building
2800 Cottage Way
Sacramento CA 95825-1898

**SUBJECT: Draft Environmental Assessment and Finding of No Significant Impact
for the Municipal and Industrial Shortage Policy, March 2005**

Dear Mr. Rodgers:

The Sacramento Municipal Utility District (SMUD) is both a Central Valley Project (CVP) water service contractor and one of the largest CVP power customers, providing not only payments into the Restoration Fund but repayment of the CVP plant-in-service and operations and maintenance (O&M) costs allocated to power. SMUD has a significant financial interest in the prudent management of CVP resources and facilities.

SMUD relies on firm water supplies for power generation to meet the electrical needs of our customers and to provide electrical grid stabilization for the region. SMUD is concerned with any action that would impact the reliability of its contract water supply.

As a member of the American River Division contracting community, SMUD appreciates the opportunity to comment on the Draft Environmental Assessment for the Municipal and Industrial Shortage Policy (EA), March 2005. This EA is the site-specific environmental documentation supporting the Long-Term Contract Renewal for water service contracts in the American River Division. As such, it is critical that the document be accurate. As to SMUD, there is one glaring, critical error regarding the proposed water supply to SMUD.

Specifically, the 2029 assumptions for American River Division deliveries to SMUD in Table 4-1 (page 4-13) are incorrect. Table 4-1 states that the delivery to SMUD is 15,000 acre-feet. The correct amount and the amount discussed in Long Term Contract Renewal discussions is 30,000 acre-feet, the net amount of SMUD's contract entitlement presuming Reclamation approves the assignment of 30,000 acre-feet of SMUD's present entitlement (60,000 acre-feet) to the Sacramento County Water Agency (SCWA). As previously communicated to Reclamation staff, SMUD will not complete the Long Term Contract Renewal process until this error is rectified to the satisfaction of SMUD.

Classification	ENUG-00
Project	CWP
Control No.	5004723

Specific Comments on the American River Division EA:

Page 4-3 affected environment – Upper American River Watershed.

Please note that in the description of the Upper American Watershed, the locations of SMUD reservoirs is misleading. SMUD owns and operates a series of reservoirs and powerhouses known as the Upper American River Project. (UARP). The majority of the UARP is located in the Crystal Basin, which is tributary to the South Fork American River. Rubicon Reservoir, Buck Island, Loon Lake and Gerle Reservoir are located in the Rubicon drainage, which are tributary to the Middle Fork American River, the same as Hell Hole Reservoir. As the text currently reads, the SMUD reservoirs all flow into Hell Hole, which is incorrect.

Please add to the paragraph on the South Fork of the American River the following text: "The Sacramento Municipal Utility District has constructed the Upper American River project, including Union Valley Reservoir, Junction Reservoir and Ice House Reservoir."

On page 4-8 under the subheading Sacramento Municipal Utility District, first paragraph, please change the following sentence to read: "SMUD is planning new power plants to be constructed on this site and in other locations within its boundaries that could require a total of 45,000 acre feet by 2040". Also reference the new 500 Megawatt Cosumnes Power Plant (CPP) currently under construction, which will be commercially operational in 2006. Both the CPP and a second 500 MW unit approved by the California Energy Commission are authorized to utilize CVP Water Service Contract water for the cooling requirements of the new power plants.

There is inconsistency when comparing table 2-2 (page 2-4) to table 4-1 (page 4-13). Table 2-2 is correct in depicting the District's future water needs in accord with the CVPIA Water Needs Analysis conducted by SMUD in April 2000. In that analysis, SMUD identified its water needs at two thresholds, 2025 and 2040, and identified a shortfall of water in 2040. Reclamation concurred with the SMUD Needs Analysis in December 2000.

The 2029 assumptions of American River Division deliveries to SMUD in Table 4-1 (page 4-13) are incorrect. Table 4-1 states that the delivery to SMUD is 15,000 acre-feet. Table 4-1 is incorrect and should state 30,000 acre-feet. Please correct this error in the Final EA.

A statement is made on page 4-13: the "contract amounts of CVP water service contractors in the American River Division under the No Action Alternative were discussed in Chapter 2 and are summarized in Table 4-1". This is incorrect. The contract assumptions stated on Table 2-3 (page 2-7) correctly state that SMUD will assign 30,000 acre-feet to the SCWA and retain 30,000 acre-feet for its own use.

SMUD suggests that a footnote be added to table 4-1 on page 4-13. The footnote should note that SMUD's complete build-out of its 30,000 acre feet of CVP Water will be achieved by 2045.

For the analysis in this EA, 30,000 acre-feet of CVP water will be utilized by SMUD for future power plant generation and be delivered via the Folsom South Canal.

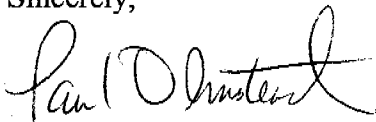
Reference is made to the June 2004 Operations Criteria and Plan (OCAP). Unfortunately, the OCAP analysis also reflects this error of misstating the quantity of water to be delivered under SMUD's renewed water service contract. The OCAP must be revised to state that 30,000 acre-feet of CVP water will flow down the Folsom South Canal in addition to the existing 15,000 acre-feet of SMUD Water Rights water.

The source of confusion in regard to the environmental analysis for the Long-Term Contract Renewals may be a potential future assignment of 15,000 acre-feet of CVP Contract water to the South Sacramento County Agricultural interests included in SMUD's Purveyor Specific Agreement (PSA) in the Water Forum. The Water Forum recognized this as a possible future action only. At present, this assignment remains speculative.

If further explanation is needed, please contact SMUD immediately.

Thank you for the opportunity to comment. SMUD looks forward to reviewing the Final EA. If you have any comments or questions, please contact me at (916) 732-5716.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Olmstead", with a stylized flourish at the end.

Paul Olmstead
Water and Power Resource Specialist

cc:

Jim Shetler
Leslie Dunsworth
Brian Jobson
Corporate Files